

DATE OF MEETING JUNE 19, 2023

AUTHORED BY TERESA LEE, REAL ESTATE TECHNICIAN

**SUBJECT 77 CHAPEL STREET – ACCEPTANCE OF PROJECT UNDER
“REVITALIZATION TAX EXEMPTION BYLAW 2018 NO. 7261”**

OVERVIEW

Purpose of Report

To obtain Council approval for a residential development at 77 Chapel Street to be included in the Downtown Revitalization Tax Exemption program. |

Recommendation

That Council approve the Revitalization Tax Exemption Agreement for a proposed 154-unit residential development at 77 Chapel Street.

BACKGROUND

The owner of 77 Chapel Street, 6577 Nanaimo Holdings Ltd., has applied for and received a development permit (DP1256) to construct three 6-storey buildings with a total of 154-unit residential units (the “Project”).

The Project will provide much needed housing in the downtown core and complete the recent mixed-use projects constructed on Chapel Street in the past 10 years. The Project aligns with many goals of the City Plan, in particular the objective of downtown being the primary urban centre for the City.

The Owner is seeking a ten-year tax exemption for the Project. The Revitalization Tax Exemption (RTE) Agreement (Attachment A) requires Council approval under the “Revitalization Tax Exemption Bylaw 2018 No. 7261”. The main goal of the RTE program is to encourage new multi-family and commercial investment in the downtown core.

The program applies to all major renovations, additions, demolitions and rebuilds, and new construction in the downtown core associated with commercial and multi-family residential housing over a construction value of \$500,000. The RTE applies to the municipal tax portion and only applies to the increase in assessment resulting from the capital improvement. The RTE program runs for a maximum length of ten years.

The property is currently assessed as a mixed-use property with a 2023 assessed value of \$5,346,000.00 in Class 1 (Residential) and an assessed value of \$594,000.00 in Class 6 (Business), resulting in \$24,474.00 of municipal taxes being paid to the City of Nanaimo. The proposed building is anticipated to have a Class 1 (Residential) assessed value of \$56,935,002.00. The exemption relates to municipal taxes only and the owner will still be responsible for property taxes charged by other agencies. Based on project 2024 rates, the estimated exemption equates to approximately \$178,541.00 of municipal taxes per annum. |

DISCUSSION

This is a significant project that will help transform the north end of Chapel Street and is anticipated to increase the downtown population by 600 people. The Project aligns with many goals of the City Plan as this project helps to increase the downtown residential population who in turn will support the local shops, restaurants, and cultural venues.

Key Terms of the RTE Agreement

- The Owner will employ best efforts to ensure the Project will be built in accordance with the approved development permit (DP1256).
- The Owner must obtain a building permit from the City for the Project on or before 2025-MAR-31.
- The Project must be officially opened and available for use as a 154-unit residential development and for no other use, no later than 2028-MAR-31.
- Term of Tax Exemption – Provided the requirements of the RTE Agreement are met, the tax exemption shall be for ten years as of the date of the occupancy granted under the building permit, but no later than 2038-MAR-31. |

OPTIONS

1. That Council approve the Revitalization Tax Exemption Agreement for a proposed 154-unit residential development at 77 Chapel Street.
 - Advantages: The Downtown Revitalization Tax Exemption Program was established to encourage commercial and multi-family development in the downtown core. This project is consistent with the goals of the program. City Plan identifies the downtown core as the primary urban centre and this project helps to increase the downtown residential population who will in turn support the local shops, restaurants and cultural venues.
 - Disadvantages: None identified.
 - Financial Implications: There is no direct impact on the budget. The City will collect tax from one fewer property in those years.
2. That Council deny the Revitalization Tax Exemption Agreement for a proposed 154-unit residential development at 77 Chapel Street.
 - Advantages: None identified.
 - Disadvantages: Not approving this project is inconsistent with the RTE Bylaw. Not providing approval to the RTE Agreement would discourage further investors from applying to the program and may slow investor interest in the downtown core.
 - Financial Implications: No budget implication to the City. The Owner will pay the full property tax bill going forward.

SUMMARY POINTS

- The Owner of 77 Chapel Street, 6577 Nanaimo Holdings Ltd., has applied for and received a development permit (DP1256) to construct a 154-unit residential development. The Project is a significant development that will help transform an underutilized area of the downtown core and provide much needed housing in the area.
- Council’s approval for a ten-year tax exemption for the residential development under “Revitalization Tax Exemption Bylaw 2018 No. 7261” is being sought.
- Key Terms of Agreement: The Owner must obtain a building permit on or before 2025-MAR-31; the Project must be completed no later than 2028-MAR-31; and the tax exemption shall be for ten years as of the date of the occupancy permit, but no later than 2038-MAR-31.

ATTACHMENTS:

ATTACHMENT A: Revitalization Tax Exemption Agreement

Submitted by:

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**Director, Corporate and Business
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Concurrence by:

Laura Mercer
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